

May 1, 2002

Mr. Dan Risley
Executive Director SCRS
Society of Collision Repair Specialists
PO Box 2548
Tri-Cities, Washington 99302-2548

RE: Arbitrary Paint Caps

Dear Mr. Risley:

This will respond to your letter dated April 2, 2002 concerning the captioned. You indicated that the information you had previously obtained was becoming outdated and asked for a current position on this matter.

On May 6, 1996 this office responded to Mr. Loftus' question "Is the placing of an arbitrary cap or limit on the costs of paint materials used to restore a collision damaged vehicle under the auto physical damage (collision) coverage of an auto insurance policy legal?" with the statement that an arbitrary paint cap would not be in compliance with the Louisiana Insurance Code. The position stated in that letter remains unchanged.

Generally speaking the automobile insurance policy provides a limit of liability under collision or comprehensive which is the lesser of the following the actual cash value or the cost of repair or replacement. This language does not set a limit or cap on the cost of paint materials. An insurance company should abide by the terms of its insurance contract; if it does not then the company may be in violation of various state statutes.

Should you have any additional questions please do not hesitate to contact us.

Sincerely yours,

Kathlee Hennigan
Director
Forms & Compliance
Office of Property & Casualty
225-342-1258

